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state of Nebraska. This bill would permit a company to continue issuing policies with a lower rate of interest for policy loans. Or charge less than the maximum provided for in the policy. In other words, just because this bill was passed at 8% does not mandate that 8% must be charged. When the interest rate on policy loans is only 5 or 6% at a time when anyone can get cash for 7, 8 or 9%, the person with cash values in a life insurance policy is actually encouraged to strip his policy of the cash values and to place the monies into something else. Studies have shown that usually the individuals that use this means is that those that are rather sophisticated policy owners with large cash values in their policies. Most of the smaller policy owners who have not borrowed on their policies are the ones that are effected. They are effected in two ways. There can either be a decreased dividend or there can be an increase in premiums. Borrowing on life insurance is a perfectly normal part of owning a policy. However, most people do so only in emergencies, or unusual expenses such as college, or buying a home. When substantial borrowing is done because the interest rate is lower than the rates on the market the companies can not make the investments that they would otherwise do in todays market that presents good yields. This results in two bad effects. Number one (1) lower investment earnings means lower dividends to the policy owners for higher premiums. Who does this hurt? Usually the smaller policy owner. The supply of long term investment capital is reduced so that this means that there is less money available for business, farm, and more particularly mortgage loans. The volume of policy loans has reached high levels in the past ten years. Permitting greater flexibility in setting interest rates on policy loans will reduce inequities between policy owners who borrow and those who do not. Reserarch has indicated that in the state of Nebraska there has been no change in the interest rate since 1913. I would move that LB528 be moved to E & R Initial.

PRESIDENT: Senator Mills.

CLERK: Mr. President, motion on the desk.

PRESIDENT: Read the motion.

CLERK: Read Cavanaugh motion.

PRESIDENT: Senator Cavanaugh.

SENATOR CAVANAUGH: Mr. President, members of the legislature I move that LB528 be indefinitely postponed. I think that this bill is a rip off, as an insurance salesman in the city of Omaha I think that relatively every member of the Legislature I agree with him. It is a rip off for the policy owners. I think that the cash value, or the loan value that accrues in a policy is something that every policy owner expect to accrue and it is his money and he should....a part of the thing that he bargains for when he buys whole life insurance is the potential loan value that his premiums will accumulate. He is entitled to have that at a reasonable rate of interest. I think that a reasonable rate of interest is one that does